



# Governor's Budget May Revision

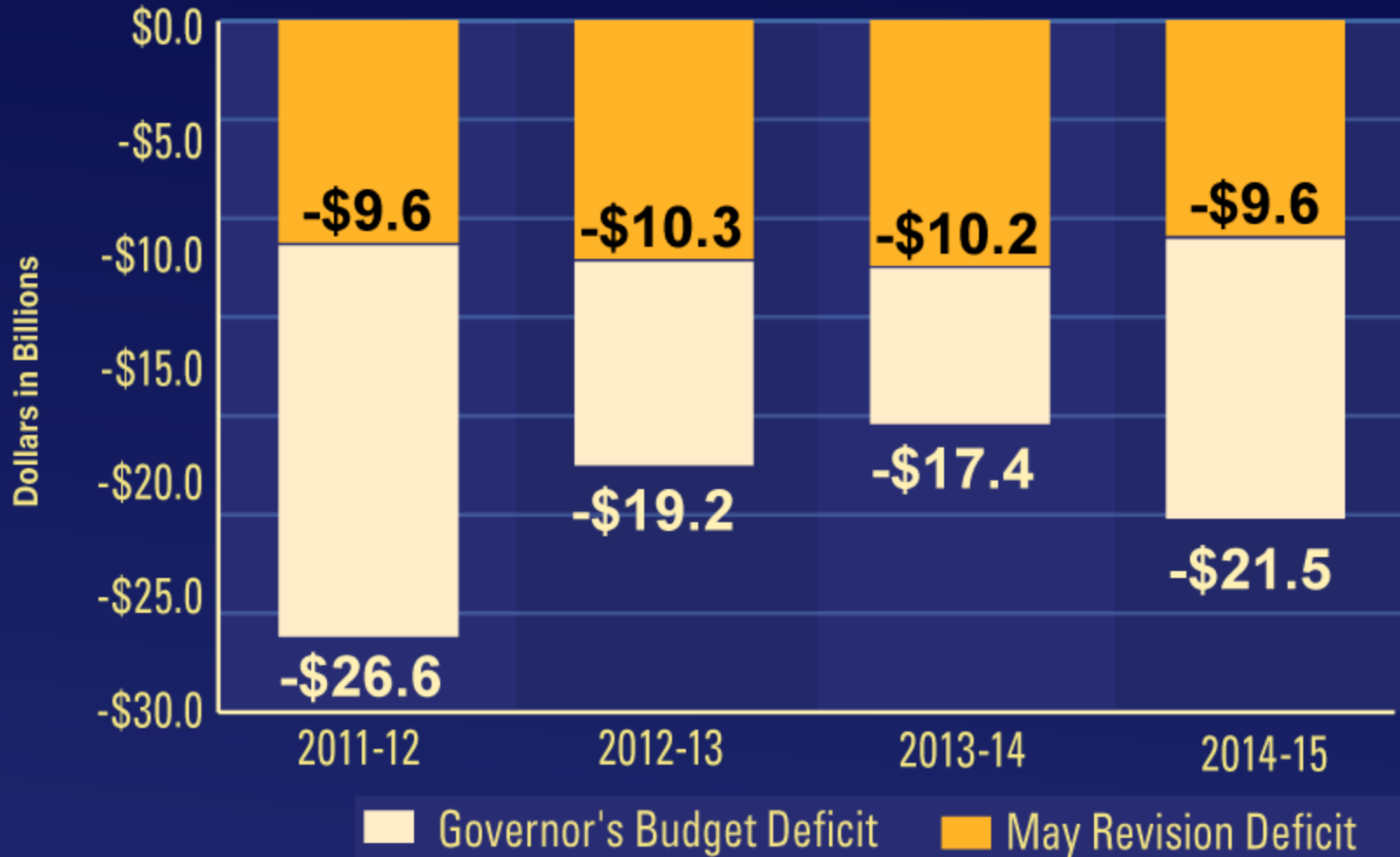
Governor Edmund G. Brown Jr.

# Updated 2011-12 Budget Deficit

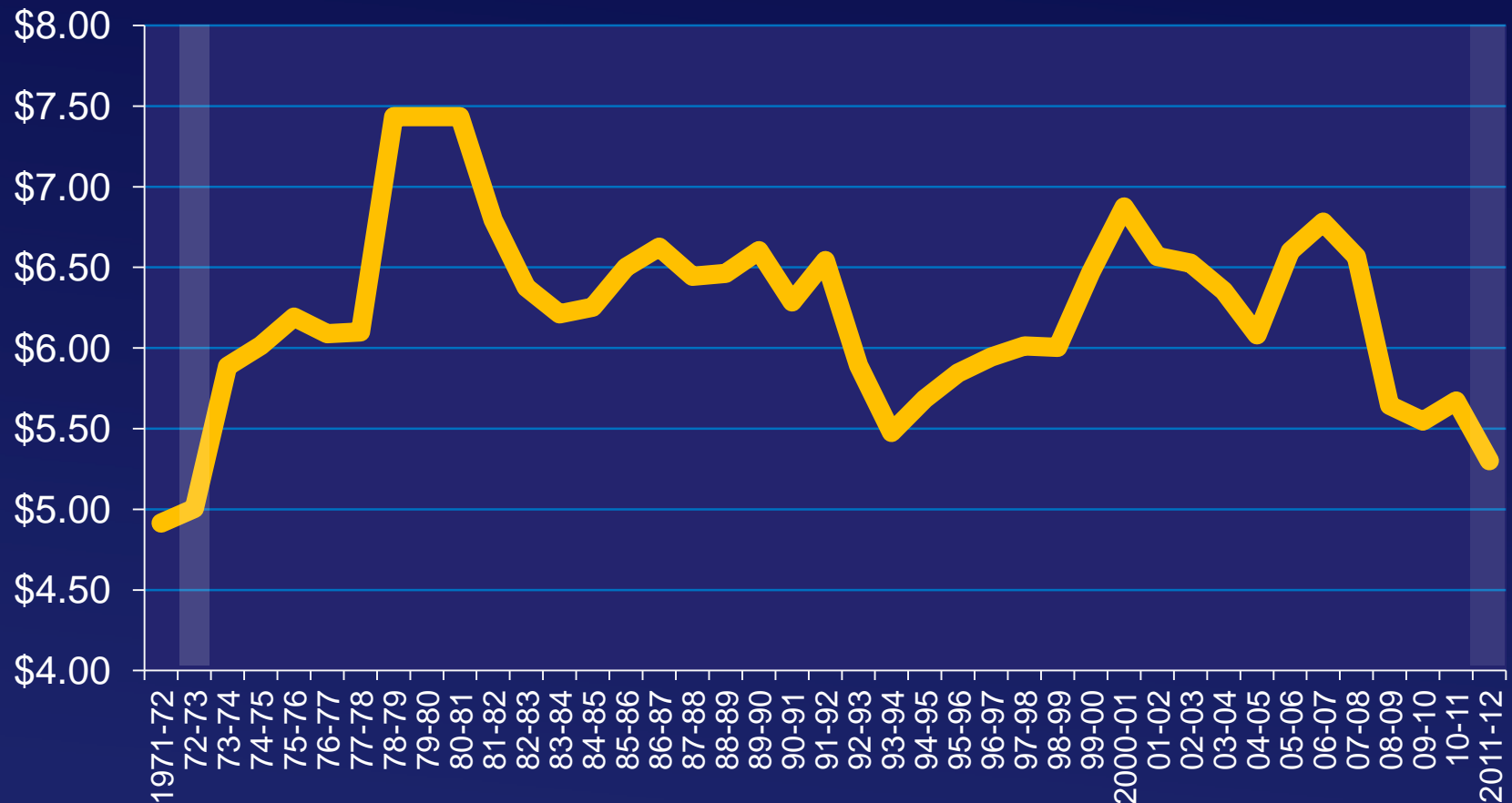
(Dollars in Billions)

<b>Budget Deficit in February</b>	<b>\$26.6</b>
Cuts and Other Solutions	-13.4
Higher Revenues	-6.6
Higher Spending	2.0
Proposition 10 Litigation	1.0
<b>Remaining Deficit</b>	<b>9.6</b>
Build Reserve	1.2
<b>Solutions Needed</b>	<b>\$10.8</b>

# \$10 Billion Annual Deficits Remain



# General Fund Spending Drops to 1972-73 Level *(Per \$100 of Personal Income)*



# Key Changes in the May Revision

Revenue Gain	\$6.6 billion
Smaller Tax Package	-2.9 billion
Required Education Spending	-1.6 billion
Proposition 10 Litigation	-1.0 billion
Cancelling Previously Proposed Borrowing	-.7 billion
Other Changes in Spending	-.4 billion

# Reduce State Government

- Eliminates 43 boards and commissions
- Eliminates 5,500 state positions
- Drops General Fund spending to the 1972-73 level

# Restore Education Spending

(Dollars in Billions)



# Spur Jobs Through Economic Incentives

- Restrict Enterprise Zone Credits to New Jobs Only
- Encourage Investments in California Jobs Through Mandatory Single Sales
- Stimulate Manufacturing Jobs Through Reduced Sales Tax on Equipment Purchases
- Revamp Hiring Tax Credit to Encourage Additional Job Creation



# Past Budgets Relied On Short-Term Solutions

	Solutions (In Billions)	Short-Term / Did Not Materialize as a Percent of Total
2008-09	\$24.3	75%
2009-10	60.0	84%
2010-11	19.3	85%

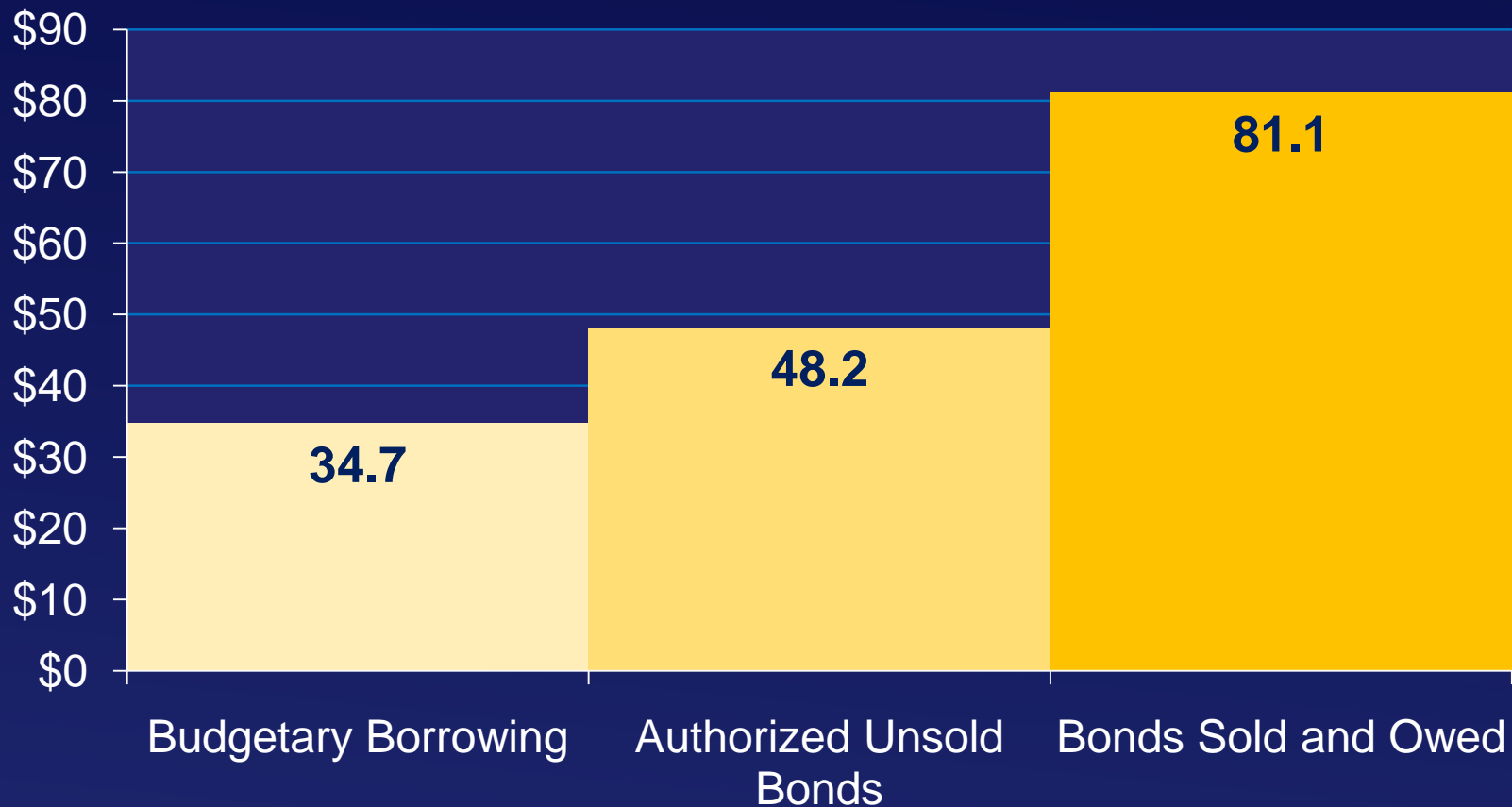
# Outstanding Budgetary Borrowing

## (Dollars in Billions)

Deferred payments to schools and community colleges	\$10.4
Economic Recovery Bonds	7.1
Loans from Special Funds	5.1
Unpaid costs to local governments, schools and community colleges for state mandates	4.3
Underfunding of Proposition 98	3.0
Borrowing from local government ( <i>Proposition 1A</i> )	1.9
Deferred Medi-Cal Costs	1.2
Deferral of state payroll costs from June to July	0.8
Deferred payments to CalPERS	0.5
Borrowing from transportation funds ( <i>Proposition 42</i> )	0.4
<b>Total</b>	<b>\$34.7</b>

# Wall of Debt

Budgetary Borrowing and Other Liabilities  
(Dollars in Billions)



# Future Annual Payment Obligations

(Dollars in Billions)

Proposition 98 Maintenance Factor	\$9.9
Interest on Unemployment Insurance Debt	0.5
Debt Service on Authorized but Unissued Bonds	3.2
<b>Total</b>	<b>\$13.6</b>

# Paying Off Debt

